BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of	)	
	)	
PUBLIC UTILITIES COMMISSION	)	Docket No. 2009-0108
	)	
Instituting a Proceeding to Investigate	)	
Proposed Amendments To the Framework	)	
For Integrated Resource Planning.	)	
	)	

PRELIMINARY STATEMENT OF POSITION OF

HAIKU DESIGN AND ANALYSIS

AND

ATTACHMENT A

AND

CERTIFICATE OF SERVICE

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PRELIMINARY STATEMENT OF POSITION OF

HAIKU DESIGN AND ANALYSIS

Carl Freedman, dba Haiku Design and Analysis (HDA) respectfully submits is Preliminary Statement of Position regarding proposed amendments to the Framework for Integrated Resource Planning (IRP Framework).

In its ORDER APPROVING THE STIPULATED PROCEDURAL ORDER, AS MODIFIED, the Commission specified the following issues for the instant docket:

1. What are the objectives of CESP and how do they differ from the objectives of IRP?
2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?
3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?
4. What should be the role of the state's public benefits fee administrator?

HDA provides discussion of each of these issues below. HDA also provides Attachment A to this Statement of Position which provides some description and discussion

of several specific proposed modifications to the existing IRP Framework. Attachment A is a substantially modified version of HDA's Informal Proposed Modifications to the Proposed CESP Framework provided to the parties on August 28 in accordance with the schedule of proceedings in this docket.

Issue #1: What are the objectives of CESP and how do they differ from the objectives of IRP?

The most general purpose of the existing IRP Framework and any updated framework remains the same: to ensure that utility capital investments and contractual commitments are based on consideration of sound planning analysis. Much time has passed, however, since the existing IRP Framework was established. Some of the specific objectives of the existing IRP Framework are no longer applicable. There are several new objectives for a long range planning process for Hawaii's energy utilities. In addition, based on experience with implementation of the existing IRP Framework, there are several possible improvements to address evident shortcomings.

THEN:

The existing IRP Framework was established in Docket No. 6617 in the early 1990's. At that time several conventions that are now well established were not yet embraced or accepted by Hawaii utility managers or incorporated in Hawaii's regulatory program. Docket No. 6617 and the resulting IRP Framework introduced several then-new conventions and principles including:

- the concept of energy efficiency and load management (DSM programs) as a "resource" considered on a "level playing field" with supply resources to meet energy needs
- mechanisms for utility recovery of costs by surcharge for DSM program implementation costs, lost revenues and utility performance incentives
- encouragement of renewable energy resources by consideration of non-dollar cost and benefits of all potentially available resource options
- public involvement in utility planning

NOW:

Hawaii is currently faced with several substantial new challenges and initiatives that call for innovative utility planning and regulation conventions:

- Establishment of challenging statutory RPS and EEPS targets
- Government/utility initiatives to promote extensive procurement of renewable generation
- Transfer of EE programs to a PBF Administrator
- Unprecedented oil prices and extreme oil price volatility, making long term projections of avoided costs too uncertain to serve as a regulatory standard
- Technical, economic and regulatory challenges regarding the ability of Hawaii utility systems to accommodate anticipated increased penetration of fluctuating intermittent generation sources

- Unprecedented capital financing needs for anticipated new electrical industry infrastructure
- Changes in the nature of utility planning risk from exposure to future oil prices to risks associated with very large capital programs, potentially substantial rate impacts and potential customer exit.
- Several large, preclusive resource strategies that require decisive commitments without complete information regarding ultimate cost, feasibility or indirect impacts:
    - Big wind development in conjunction with inter-island cable transmission development
    - Large scale conversion to imported biofuels in conjunction with maintaining central station thermal generation
    - Extensive renewable generation without inter-island transmission
- Evolving role of the utility from being the sole planner and provider of generation, transmission and distribution services towards being a system grid manager integrating diverse non-utility-owned supply and demand response resources

GENERAL OBJECTIVES FOR THE UTILITY PLANNING PROCESS

The long range planning process should address the following general objectives:

- Ensure that utility expenditures are based on sound planning analysis
- Facilitate efficient regulation of resource procurement

- Facilitate efficient "market" for providers of system resources
- Maintain a "level playing field" for consideration of cost effective demand response measures
- Ensure that RPS and EEPS targets are reasonable (technically and economically feasible)
- Provide for public access to information and opportunity to participate in utility planning.

SPECIFIC FUNCTIONS SERVED BY THE UTILITY PLANNING PROCESS

The utility planning process should assist the Commission in addressing several specific regulatory needs including those listed below. Although these regulatory determinations would, for the most part, not be resolved explicitly in the utility planning process, the planning process should be explicitly designed to serve these functions. Serving these functions is the most direct (if not the only) useful regulatory purpose of a utility planning process:

- determination of the objectives, nature, target impacts and budget for the energy efficiency programs to be implemented by the PBFA
- determination of the objectives, nature, target impacts and budget of demand response/load management programs that should be implemented by each utility
- determination of what generation resources or blocks of resources should be acquired through the Competitive Bidding Framework

- establishing, evaluating, maintaining and determining the reasonable pricing of tariffs designed to encourage acquisition of renewable resources (such as feed-in tariffs, net energy metering and standby charges)
- determining short run and long run utility avoided costs and the reasonableness of wholesale payment rates that may be above "least" avoided cost[1]
- evaluating the prudence of CIP approvals for generation, transmission and distribution (such as advanced metering) projects.
- review, assessment and modification of the RPS and EEPS[2]

Issue # 2: What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?

HDA proposes several modifications to the IRP Framework. These are discussed briefly below and in more detail in Attachment A. HDA's proposed modifications focus primarily upon how the process is scheduled and used in order to address some observed shortcomings of the past implementation of the existing IRP Framework. HDA focuses on the following aspects of the planning process: timeliness, usefulness, accessibility and clarity regarding "acceptance" versus "approval" of plans and the associated balance between planning flexibility versus regulatory rigor.

[1] HDA provided a detailed discussion of the role of utility planning analysis in the determination of the reasonableness of wholesale energy rates (including the basis for determining the reasonableness of rates above avoided cost) in its *Haiku Design and Analysis Opening Brief*, pp.19-24 in the Feed-in Tariff Docket No. 2008-0273.

[2] In addition to implementing the RPS and EEPS the Commission must periodically review the reasonableness and, as appropriate, adjust the RPS and EEPS targets.

HDA also identifies (below) several sections of the existing IRP Framework that could be or have been proposed to be deleted. HECO's proposed CESP Framework is also briefly discussed.

SUCCESSES AND FAILURES OF THE IRP FRAMEWORK

By establishing a "level" analytical "playing field" for evaluation of DSM resources, the existing IRP Framework was successful in establishing DSM as an important cost-effective resource to meet Hawaii's energy needs. The Framework served as the basis for establishing the cost recovery, revenue recovery and utility incentives mechanisms that were implemented in conjunction with the utility DSM programs. The IRP Framework was successful in providing access to utility planning information to the public (advisory groups).

The IRP Framework was not successful, however, at facilitating any meaningful procurement of supply resources. The IRP plans have never effectively "governed" utility capital projects. This failure is in part due to the structure of the IRP Framework, in part due to the utilities' interpretation and application of the Framework, in part due to the overarching preemptive reach of federal law (PURPA)... but it is also largely due to the fact that the IRP planning process has been so monolithic and so slow in its preparation and review that IRP planning is persistently overtaken by more immediately pressing individual projects.

At no time since the institution of the IRP process has there been an approved plan that is meaningfully current and up to date. There is always one approved IRP plan that is

outdated and one pending IRP plan that is either incomplete or not yet approved. By the time IRP plans are approved (if they in fact ever get approved) they are outdated to the point that, when specific capital projects come for review before the Commission, other more up-to-date presumptions (regarding forecasted levels of demand, fuel prices and "base case" preferred plans) rather than the approved IRP plan are used in "governing" the utility capital projects. The process of updating program implementation schedules (action plans) has never worked in a timely manner or served any intended purposes.

In Attachment A, HDA suggests several modifications to make the utility planning process more timely and useful to serve the regulatory needs of the utilities, the PBFA and the Commission.

POSSIBLE DELETIONS OF EXISTING IRP FRAMEWORK PROVISIONS

Several provisions of the existing IRP Framework were specifically included to establish conventions and principles which were innovative in 1991 but may be less relevant today. Some of these provisions remain important but may not need to remain embedded in the IRP Framework. Some provisions are now simply obsolete.

- The fundamental tenets of integrated resource planning include:
    - identification of planning objectives and measures of attainment
    - projections of future energy needs
    - characterization and screening of all feasible resource options
    - formulation and optimization of strategies
    - consideration of indirect and non-dollar impacts

- scenario analysis to address uncertainty
- determination of a preferred plan

All of these elements were included as mandatory, prescriptive components of the IRP Framework in order to (a) ensure that all feasible options would be considered, (b) that there would be a "level playing field" for consideration of DSM programs on par with the incumbent utility focus on development of supply-side projects and (c) that renewable resources would be evaluated including recognition of indirect benefits. These process components remain applicable and relevant to resource planning today but whether these components need to be required explicitly in the planning framework is an issue in this docket. HECO's proposed CESP Framework deletes all language requiring any of these "traditional" IRP process components. HDA holds that these planning process components are still important and should be maintained. If these prescriptive IRP Framework provisions are no longer appropriate as currently worded they should be reframed or improved but not eliminated.

- The IRP Framework includes specific provisions regarding utility recovery of DSM program costs, lost revenues and implementation incentives. These provisions were included in the IRP Framework as a basis for specifying the policies that were to be applied to the subsequent initial DSM program applications. This section of the existing IRP Framework (Section III.F. at pages 16-19) is no longer necessary or

applicable and could be deleted.[3] Similarly, the provisions of the existing IRP Framework that establish that pilot DSM programs are appropriate (Section V. at pages 24-25) is no longer necessary and could be deleted.

- The requirements in the existing IRP Framework that external costs and benefits be considered was originally conceived as a means to ensure that the advantages of renewable generation would be weighed against higher direct dollar costs. Several efforts were made to quantify and/or monetize external costs and benefits in the context of the implementation of IRP. None of these efforts had any determining effect on decisions to implement renewable resources. With the advent of mandatory renewable portfolio standards, the role of the consideration of external costs and benefits is changed. It has been determined by statute that prescribed amounts of renewable generation will be implemented by specific dates. The consideration and weighing of external costs and benefits is no longer the primary component in promoting renewable resources in consideration of the preferred mix of resources. External costs and benefits should still be considered but extensive efforts to quantify and monetize these impacts should not be required. Requirements to evaluate planning economics based on a spectrum of possible energy demand and fuel price scenarios should be maintained.

[3] Implementation of energy efficiency programs is now the responsibility of the Public Benefits Fee Adminstrator (PBFA). The terms for cost recovery and incentives for energy efficiency programs is a matter of contract between the Commission and the PBFA and does not need to be part of the planning framework. The principle that the utilities are

HECO'S PROPOSED CESP FRAMEWORK

HDA does not support HECO's proposed CESP Framework as currently proposed. HECO's proposed Framework:

- fails to add anything substantial to the IRP Framework that could not be executed under the existing Framework
- does not solve the principal problems of the existing IRP Framework
- does not sufficiently address the immediate and developing needs of the Commission for useful planning information
- deletes all existing requirements regarding "traditional" integrated resource planning process components
- expands the scope of resulting regulatory approval while at the same time it (a) decreases the level of required analytical rigor, (b) makes an approved plan only a guideline rather than a mandatory standard and (c) provides for automatic approval of plans if the Commission exceeds a deadline for completing it review.

Issue # 3: Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?

There seems to be a broad consensus that the IRP Framework provisions need to accommodate the specific characteristics and needs of electric cooperatives. Whether there should be one framework that encompasses both cooperatives and investor owned utilities

entitled to cost recovery for load management/demand response measures is now accepted and is a matter for determination in the specific applications for approval of these programs.

(perhaps with exceptions or separate provisions specified) or separate frameworks should be determined to provide the most straightforward and efficient implementation.

It should also be considered whether provisions of the IRP Framework should continue to apply to utility gas providers.

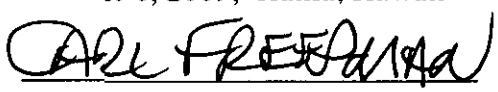
Issue # 4: What should be the role of the state's public benefits fee administrator?

The PBFA is a contractor to the Commission and has a unique role as a provider of ratepayer funded energy services. The energy efficiency programs managed by the PBFA serve purposes that are closely integrated with the services provided by the energy utilities. Together, the programs managed by the PBFA and the services provided by the energy utilities need to meet energy consumer needs reliably and economically. The PBFA programs serve as important components of utility plans, can serve as alternatives to or means to defer utility capital expenditures and are relied upon by the utilities to meet energy service requirements. It is therefore necessary that utility planning include consideration of the optimal targeting, design objectives and role of the PBFA energy efficiency programs in the context of utility plans. The specific design of the energy efficiency programs managed by the PBFA, however, must reside with the PBFA to the extent that the PBFA is responsible for the efficacy of these programs and to the extent specified by contract or otherwise determined by the Commission. The PBFA should be a participant in the utility planning process and should have a unique role as the primary implementer of a fundamental component of Hawaii's energy utility resource strategy. The PBFA should provide information to the utility planning process regarding the nature of existing, planned

and potentially feasible programs, the expected cost and impacts of these programs as well as any other relevant issues or uncertainties. The utility planning process should evaluate the existing, planned and potentially feasible energy efficiency programs to determine which are the most cost-effective in terms of avoiding short run and long run utility costs, the extent to which these programs can meet utility and State planning objectives and how these programs might best be targeted geographically or temporally. Ideally, the PBFA and the utility should cooperate interactively to determine an optimal portfolio of programs to be implemented by the PBFA.

This concludes HDA's Preliminary Statement of Position

Dated: October 1, 2009; Haiku, Hawaii

Signed: 

Carl Freedman
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HAIKU DESIGN & ANALYSIS

PRELIMINARY PROPOSED MODIFICATIONS TO THE IRP FRAMEWORK

October 1, 2009

SPECIFIC OBJECTIVES OF HDA'S PRELIMINARY PROPOSED MODIFICATIONS

HDA's preliminary proposed modifications to the IRP Framework are focused primarily on the following issues and objectives for an improved planning process:

- Timeliness: The planning process should provide timely, up-to-date planning information.
- Usefulness: The planning process should serve the current, specific regulatory needs of the utilities and the Commission.
- Accessibility: The planning process should be accessible to interested stakeholders and should facilitate consideration of stakeholder comments and concerns.
- Clarity Regarding "Acceptance" or "Approval": There should be a clear balance between maintaining planning flexibility and making regulatory determinations. It should be clear whether the Commission will formally accept or approve long range plans and/or action plans and, if so, what this means with respect to other necessary project approvals.

HDA may provide further comment and suggestions in response to proposals and issues identified by other parties in this investigation.

HDA's PRELIMINARY PROPOSED MODIFICATIONS

HDA suggests several possible modifications to the IRP Framework.

- Cycle of Planning and Review – The existing application of the IRP Framework provides for periodic cycles of planning with formal review for approval
- Interim Use of Planning Analyses
- Interim Update of Long Range Plans and Action Plans
- Role of Advisory Groups and a Technical Advisory Group
- Process for Periodic and Interim Acceptance of Long Range Plans and Action Plans

These suggestions are offered for purposes of discussion and consideration by the Commission and parties in this proceeding . HDA is not firmly attached to any of these suggestions and is sincerely interested in the proposals offered by other parties. HDA is not now certain which of

the suggestions below it may ultimately recommend in its briefs in this docket. Proposed suggestions for modifications are identified below and are discussed at categorized by the underlying objectives identified above.

Timeliness

The IRP process proved effective in establishing DSM as an important component of the Hawaii electric utility industry. The IRP process has not been ineffective, however, in governing supply-side utility investments. This failure is in part due to the structure of the IRP Framework, in part due to the utilities' interpretation and application of the Framework, in part due to the overarching preemptive reach of federal law (PURPA)... but it is also largely due to the fact that the IRP planning process has been so monolithic and so slow in its preparation and review that IRP planning is persistently overtaken by more immediately pressing individual projects.

At no time since the institution of the IRP process has there been an approved plan that is meaningfully current and up to date. There is always one approved IRP plan that is outdated and one pending IRP plan that is either incomplete or not yet approved. By the time IRP plans are approved (if they in fact ever get approved) they are outdated to the point that, when specific capital projects come for review before the Commission, other more up-to-date presumptions (regarding forecasted levels of demand, fuel prices and "base case" preferred plans) rather than the approved IRP plan are used in "governing" the utility capital projects. The process of updating program implementation schedules (action plans) has never worked in a timely manner or served any intended purposes.

Suggestions:

(1) Establish an Interim Process Procedural Schedule

The general concept of this alternate process would be to use a 3 year planning cycle as the basis for major updates of long range utility plans but allow and expect interim updates to the planning assumptions and Action Plans as circumstances develop. The objective would be to maintain an up-to-date analysis capability and Action Plan at all times for use as directed by the Commission whenever needed. The planning process would have two parts procedurally:

- A three year cycle for major updates to the utility long range plans. This would be similar to the existing scheduling of the IRP process accept that, as suggested below, the Commission might not formally "approve" utility plans but would rather "accept" them without approval.
- A quick turn-around information development and review process: The Commission would request specific planning-related information from the utility at any time as needed for any regulatory purposes that arise in any proceeding. The Commission's requests for information would be available to planning docket parties and advisory group members (with notification and availability of documents via the Commissions

Document Management System). The Commission could request or allow comments (regarding the requested information and utility responses) by the planning docket parties and advisory group members.

Further description of how such a process might work is provided in the section below: "Description of a Possible Planning Process Procedure."

Usefulness

The IRP process should provide the Commission with up-to-date planning information in order to make informed decisions in several ongoing regulatory venues including:

- determination of the objectives, nature, target impacts and budget for the energy efficiency programs to be implemented by the PBFA
- determination of the objectives, nature, target impacts and budget of demand response/load management programs that should be implemented by each utility
- determination of what generation resources or blocks of resources should be acquired through the Competitive Bidding Framework
- establishing, evaluating, maintaining and determining the reasonable pricing of tariffs designed to encourage acquisition of renewable resources (such as feed-in tariffs, net energy metering and standby charges)
- determining short run and long run utility avoided costs and the reasonableness of wholesale payment rates that may be above "least" avoided cost
- evaluating the prudence of CIP approvals for generation, transmission and distribution (such as advanced metering) projects.
- review, assessment and modification of the RPS and EEPS

The Commission's needs regarding what information is necessary to serve ongoing specific regulatory purposes will likely change from IRP cycle to IRP cycle.

Suggestions:

(2) Addition to the IRP Procedural Schedule

- At the beginning of each three-year IRP review cycle the Commission would (independently or after a public meeting) specify:
    - a list of questions and issues that the specific round of IRP analysis and the resulting plan should address, and
    - any specific objectives or scenarios that should be considered in that specific round of IRP analysis
- As described in (1) above, it would be expected that a primary use of the utility planning process would be requests by the Commission for planning-related information from

the utility at whatever time needed for any regulatory purposes. The utility would maintain an updated planning capability for this purpose at all times (just as they essentially already do).

(3) Diversified Analysis Methods

- The analysis performed in the IRP process should not be limited to the current Strategist or other integration modeling tools. The scope of analysis performed in the IRP process should include any analysis necessary to address the specific planning information needs identified by the Commission to make informed decisions in all regulatory venues.

Accessibility

One success of the IRP process has been the extent to which utility planning information and analysis is accessible to stakeholders and the general public. Access to information and involvement of stakeholders encourages informed participation in matters that come before the Commission and encourages the utility to consider factors that otherwise would not be recognized prior to adjudication.

Several suggestions are provided that would increase the effectiveness of stakeholder participation in the IRP process:

Suggestions:

(4) Provide some form of standing to members of the advisory groups.

- The advisory group members (those organizations or individuals that do not apply for and attain intervenor status in the utility planning docket) could have a prescribed limited form of standing before the Commission that would allow them to petition the Commission to request relief regarding differences with the utility implementation of the IRP process. The requirements for filing such a petition would be more similar to the requirements to file an informal complaint (which anyone could do in any case) rather than requiring filing as a motion.

(5) Provide for Commission participation in the advisory group process

- The Commission staff (or one or more Commissioners) could preside over part of occasional advisory group meetings to invite and obtain comments and positions of advisory group members.
- The Commission could issue orders to provide relief (require consideration of certain circumstances, resources or scenarios) recommended by advisory group members as determined to be reasonable.

(6) Provide for an independent process facilitator

- An independent facilitator could preside over some or all advisory group meetings and/or attend advisory group meetings and provide reports to the Commission. This would provide some "voice" for advisory group members independent of the utility without formal intervention.

(7) Establish one of more Technical Advisory Group(s)

- One or more technical advisory groups could be formed to provide review and analysis of modeling procedures, data or other technical matters. The technical advisory group could provide advice to the utility or could report to the Commission.

(8) Require access to information and analysis methods

- It could be required that the analysis methods (including integration model input, diagnostic and output files) that are maintained by the utility and used in the IRP process must be made available to qualified persons retained by or representing any parties or advisory group members, provided that necessary protective agreements are executed.

(9) Provide independent IRP analysis capability

- The Commission, Consumer Advocate or other entity could maintain an independent IRP analysis modeling capability. This was previously done by the Consumer Advocate (by HDA) in the first round of analysis of the utility IRP applications.

Clarity of Purpose

The purpose of IRP generally and the role and purposes of the specific determinations made in the IRP process should be clear in any modified Framework.

There should be a balance between the rigor of the IRP process and the flexibility of the IRP process. There are several tradeoffs and correlations that should be balanced. These were discussed at some length in Docket No. 6617 in the original establishment of the IRP process.

- Analytical Rigor
    - The IRP analytical methods need to be rigorous enough to address the considerations necessary to make meaningful determinations.
    - The IRP analysis methods should not be so cumbersome that they are unwieldy or cannot be used to produce timely information as required.
- Planning Flexibility versus Regulatory Rigor
    - To serve effectively, plans must be flexible and somewhat general
        - Plans must be able to change according to always-changing circumstances.

        - Resources may be identified generally by type but may not require identification of specific sites, ownership or financing which may not yet be determined

    - To serve as regulatory instruments (to make final determinations of the prudence of specific projects or programs) plans would have to be specific and deterministic.

        - Regulatory determinations tend to be final unless formally modified (otherwise they are not regulatory determinations)

        - Regulatory determinations (regarding determinations of prudence) require at least some minimum threshold of rigor that exceeds the level of rigor otherwise necessary for planning purposes. Specific projects or programs with specific budgets would have to be identified and reviewed prior to regulatory approval.

- Degree and Scope of "Approval" of utility plans

    - In the existing implementation of the IRP Framework it is understood that any resource included in an approved IRP plan or program implementation schedule must still be reviewed and approved by the Commission in another proceeding prior to implementation.

    - From a functional standpoint, the meaning of approval of utility plans and implementation schedules is not clear. Although it is required in the existing IRP Framework that approved plans will "govern" utility capital expenditures, no utility capital expenditures have been denied because the utility did not go through the prescribed procedures to revise outdated integrated resource plans.

    - Rather than "approve" utility plans the Commission could "accept" utility plans without any implied approval.

HDA notes that the degree of required rigor, flexibility and the degree of Commission approval are all related to the question of who ultimately is responsible for the success of the utility plans. To the extent the utility is ultimately responsible and will be held accountable for reliable service and the ongoing prudence of its resource acquisitions it would follow that the utility plans should be the utility's kuleana. To the extent that the Commission (or the legislature) dictates specific actions or requires specific projects to be implemented or acquired by the utility, the responsibility for outcomes and prudence shifts to the State and ultimately, utility ratepayers. The existing IRP Framework leaves the planning responsibility with the utility subject to the approval of the Commission. Advisory groups are strictly advisory. The utility must obtain separate approval for projects and programs included in approved plans.

Suggestions:

(10) The modified IRP Framework should be clear regarding the level of expected flexibility, analytical rigor, regulatory rigor and the nature and finality of resulting determinations by the Commission. It should be clear and internally consistent whether:

- IRP plans would "govern" utility capital projects or would become guidelines
- Projects need to be identified in site specific detail or whether projects are more generally considered
- inclusion of a project in the IRP would serve as a presumption of prudence for purposes of later proceedings before the Commission
- the Commission would have any limits on the amount of time to take action on an IRP application prior to it automatically being deemed approved.

DESCRIPTION OF A POSSIBLE PLANNING PROCESS PROCEDURE

The process described below could be implemented either with or without any formal Commission approval of long range plans or Action Plans.

- The Commission would initiate an ongoing, "perpetual" planning process for each utility.
    - Establish one or more ongoing dockets to administer the planning process for each utility with a three-year cycle for major reviews
    - Establish one or more advisory groups for each utility and/or for several energy utilities collectively
- At the beginning of each three-year IRP review cycle the Commission would (independently or after a public meeting) specify:
    - a list of questions and issues that the specific round of IRP analysis and the resulting plan should address, and
    - any specific objectives or scenarios that should be considered in that specific round of IRP analysis
- Use a 3 year planning cycle to establish and review:
    - planning assumptions (projected demand, fuel prices, resource characteristics)
    - analytical methods (integration modeling, rate impact analyses, etc)
    - a base long range (20 year) resource plan
    - a five year (or longer) Action Plan

- Each utility would maintain a modeling and analysis capability that is current and up to date at all times.
    - On an ongoing basis, update all important planning assumptions, forecasts, demand estimates, etc. as frequently as circumstances require and configure the planning process analytical models accordingly.
    - Notify the Commission, parties and advisory group whenever planning assumptions are updated.
- As needed for any regulatory purposes, the Commission would request prompt and timely analysis from the utilities based on current, up-to-date planning assumptions.
    - In the context of any docket, the Commission could issue information requests to the utility requesting information and/or analysis based on current planning assumptions and modeling analysis capability.
    - Planning docket parties and utility advisory group members would be notified and documents would be made available via the Commission's Document Management System.
    - The Commission could, at its discretion, issue such information requests and/or the utility responses to the planning process docket parties, utility advisory group or any technical advisory group for review and comment.
- Each utility would maintain a current up-to-date Action Plan at all times.
    - To the extent that circumstances or changes in planning assumptions substantially affect the merits of the base resource plan or action plan, the Commission, parties and advisory group would be notified.
    - Action plans should be updated in accordance with supporting analytical methods and with the informed advice of the parties and advisory group.
    - Modified (updated) Action Plans would be prospective pending any explicit approval of any Action Plan components by the Commission but would always be kept up-to-date and publicly accessible to inform all stakeholders of current planning assumptions presumed by the utility.
        - Actions proposed by the utility in any docket before the Commission would be reviewed by the Commission in light of the current, most recently approved Action Plan.
        - If proposed actions are not consistent with the most recently approved Action Plan, the proposed actions must be consistent with the current updated Action Plan which should be reviewed by the Commission prior

to or concurrently with the Commission's review of the proposed action with the informed advice of the planning docket parties and advisory group.

- Any party or advisory group member could petition the Commission at any time requesting the Commission's attention to review or take action regarding changes to planning assumptions or changes in Action Plans.
    - Parties could (as they currently may) request relief from the Commission by Motion.
    - Provision would be made for advisory group members to petition the Commission for action regarding changes to planning assumptions, long range plans or Action Plans by an informal process.

Other Suggestions

(9) The section of the existing IRP Framework and the entire section of HECO's proposed CESP Framework regarding intervenor funding is so restrictive as to be inoperable. If it is intended that there should be intervenor funding, then a reasonable proposal should be considered. If not, then the entire sections should be deleted. Let's not pretend.

(10) The section of the existing IRP Framework pertaining to DSM program cost recovery and incentives (Section III.F. at pages 16-19) is no longer necessary or applicable and could be deleted. Similarly, the provisions of the existing IRP Framework that establish that pilot DSM programs are appropriate (Section V. at pages 24-25) is no longer necessary and could be deleted. The corollary modified sections of HECO's proposed CESP Framework are not necessary and should be deleted.

(11) Incentives to the utility for performance in implementing renewable resources or other components of the HCEI initiatives have been proposed in other dockets. Performance incentives could be considered as part of the modified Framework in much the same way as DSM utility incentives were introduced and incorporated in the original IRP Framework.

CERTIFICATE OF SERVICE

I hereby certify that I have, on October 1, 2009 served a copy of the foregoing HAIKU DESIGN AND ANALYSIS PRELIMINARY STATEMENT OF POSITION AND ATTACHMENT A upon the following entities, by first class mail or by electronic transmission as noted:

Catherine P. Awakuni, Executive Director Department of Commerce and Consumer Affairs Division of Consumer Advocacy P.O. Box 541 Honolulu, Hawaii 96809	[2 copies] [First Class Mail] and [Electronic Service]
Darcy L. Endo, Vice President Government and Community Affairs Hawaiian Electric Company, Inc. P. O. Box 2750 Honolulu, HI 96840-0001	[Electronic Service]
Dean K. Matsuura Manager, Regulatory Affairs Hawaiian Electric Company, Inc. Hawaii Electric Light Company, Inc. Maui Electric Company, Ltd. P. O. Box 2750 Honolulu, Hawaii 96840-0001	[Electronic Service]
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